



0000162127

BEFORE THE ARIZONA CORPORATION COMMISSION

SUSAN BITTER SMITH

Chairman

BOB STUMP

Commissioner

BOB BURNS

Commissioner

DOUG LITTLE

Commissioner

TOM FORESE

Commissioner

Arizona Corporation Commission

DOCKETED

MAY 19 2015

DOCKETED BY

IN THE MATTER OF THE APPLICATION
OF TRICO ELECTRIC COOPERATIVE,
INC., AN ARIZONA CORPORATION, FOR
APPROVAL OF ITS PREPAID PILOT
PROGRAM

DOCKET NO. E-01461A-14-0260

DECISION NO. 75087

ORDER

Open Meeting
May 12 and 13, 2015
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

1. Trico Electric Cooperative, Inc. ("Trico") is certificated to provide electric service as a public service corporation in the State of Arizona.

Introduction

2. On July 9, 2014, Trico filed an application with the Arizona Corporation Commission ("Commission") for approval of its Prepaid Service Pilot Program and Experimental Residential Prepaid Service Tariff ("Prepaid Program" or "RPS Tariff"). The Prepaid Program is a 'pay as you go' billing service that allows customers to pay for electric service in advance versus the standard monthly basis in which customers pay after electric service has been rendered.

Prepaid Service Pilot Program

Availability and Applicability

3. The proposed Prepaid Program is voluntary and is meant to provide Trico customers with an additional payment option that may better match their payment preferences. Trico is

1 proposing to offer its Prepaid Program as an experimental pilot program to remain in effect until its
2 next rate case or until two years after the first customer begins service under the RPS Tariff,
3 whichever comes first. Trico anticipates enrolling between 50 to 100 residential customers to be part
4 of the pilot test group.

5 4. Customers that wish to participate in the Prepaid Program would be required to fill out
6 an application/agreement for prepaid service. New eligible customers would be required to pay a
7 service establishment fee (the service establishment fee is the same fee paid by a new standard
8 postpaid customer). Customers would also be required to pay \$50 to establish an initial credit balance.
9 Staff notes that the proposed customer charge for prepaid service is merely the daily calculation of the
10 postpaid service customer charge and is not a lower cost to customers than postpaid service.

11 5. The Prepaid Program would be available only to residential customers that are
12 currently served under the Residential Service Schedule RS-1 (by request of the customer) for all single
13 family dwellings when all service is supplied at one point of delivery through a single service line and
14 energy is metered through one meter. Due to limits of Trico's billing software and metering hardware,
15 resale, standby, or customers that are served under any rate schedule other than the Residential Service
16 Schedule RS-1 are not eligible for prepaid service.

17 6. In addition, customers on Trico's Levelized Billing Plan, deferred payment plan¹, or
18 installment plan are not eligible to participate in prepaid service. Further, customers specified under
19 Arizona Administrative Code ("A.A.C.") R14-2-211.A.5 are not eligible for participation in the
20 Prepaid Program. These customers include those where termination of service would be especially
21 dangerous to the health of the customer, as determined by a licensed medical physician; those
22 customers where life supporting equipment used in the home is dependent on utility service; and
23 those customers where weather would be especially dangerous to health.

24 ...

25 ...

26 ¹ To clarify, post-pay customers who are enrolled in a deferred payment plan are not eligible to participate in prepaid
27 service if an outstanding account balance is above \$400. Once the outstanding account balance reaches \$400 or less, the
28 customer is then eligible for prepaid service. Once on prepaid service, Section E-Transfers and Optional Debt Recovery
for Outstanding Balances of Trico's proposed Residential Prepaid Service Schedule RPS would apply, and Sections 347-
351 of Trico's Rules, Regulations, and Line Extension Policies would not apply.

Experimental Residential Prepaid Service

7. The Prepaid Program rate is designed to follow the Residential Service Schedule RS-1. The daily customer charge is calculated by taking the monthly residential customer charge, multiplying it by 12 and dividing by 365. Trico used the same methodology in calculating the daily Renewable Energy Standard and Tariff ("REST") surcharge. The energy charge, the Wholesale Power Cost Adjustment rate ("WPCA"), and the Demand-Side Management ("DSM") adjustor rate are per kWh charges and are the same as for standard residential service. The table below shows the total daily rate that would be charged.

Experimental Rate Residential Prepaid Service							
	Power Supply	Distribution Charges					Total Rate
		Metering	Meter Reading	Billing	Access	Total	
Customer Charge (\$/Customer/Day)		\$0.1716	\$0.0533	\$0.2042	\$0.0641	\$0.4932	\$0.4932
REST (per day)							\$0.0000
Energy Charge (\$/kWh)	\$0.0830				\$0.0386	\$0.0386	\$0.1216

Rules, Regulations, and Line Extension Policies

8. Due to the nature of prepaid service, Trico believes that a number of existing service conditions included in Trico's Rules, Regulations, and Line Extension Policies are not applicable to the proposed Prepaid Program, and are listed below.

- Section 125: Billing Deposit Receipt – This section explains that the inability of a customer to produce a billing deposit receipt will not impair the customer's ability to receive a refund of said deposit. Because prepaid service does not require a deposit, this section does not apply.
- Section 126: Interest on Billing Deposits – This section states that billing deposits shall be interest bearing, as defined in the Schedule of Special Charges. Because prepaid service does not require a deposit, this section does not apply.
- Section 127: Billing Deposit Refund – This section describes how billing deposits are to be refunded to customers. Because prepaid service does not require a deposit, this section does not apply.
- Section 128: Billing Deposit Amount – This section describes how the amount of the billing deposit is determined. Because prepaid service does not require a deposit, this section does not apply.

- 1 • Section 129: Billing Deposit Adjustment – This section describes how the amount of
2 the billing deposit is adjusted based on usage or delinquent payments. Because prepaid
3 service does not require a deposit, this section does not apply.
- 4 • Section 130: Billing Deposit per Meter – This section states that a billing deposit may
5 be required for each installed meter. Because prepaid service does not require a
6 deposit, this section does not apply.
- 7 • Section 131: Billing Deposits and Service Suspension – This section explains that a
8 billing deposit shall not prevent Trico from terminating service due to violations of
9 Trico's Rules and Regulations by the customer or failure of the customer to abide by
10 any obligations of the terms of service. Because prepaid service does not require a
11 deposit and because there are proposed termination procedures specific to prepaid
12 service, this section does not apply.
- 13 • Section 301: Frequency of Meter Reading – This section explains that meter reading
14 could be performed on a schedule that is less frequent than a monthly basis due to
15 remote or inaccessible locations. Because prepaid service is a daily billing service, this
16 section does not apply.
- 17 • Section 302: Estimation of Bill, First and Second Month – This section explains that if
18 Trico is unable to read a meter on the scheduled meter read date, Trico will estimate
19 consumption in accordance with its Commission-approved Estimation Methodologies
20 Tariff, Schedule EM. Because prepaid service is a daily billing service, this section
21 does not apply.
- 22 • Section 303: Estimation of Bill, After Second Month – This section applies to
23 continued and consecutive bill estimation after the second month. Because prepaid
24 service is a daily billing service, this section does not apply.
- 25 • Section 307: Record of Consumption – This section explains that registration of
26 Trico's meter at the customer premise constitutes evidence of the energy/billing
27 demand used by the customer. However, in the event of failure of Trico's meter or
28 the inability for a representative to obtain a reading, an estimate will be used. Because
prepaid service does not rely on the monthly record of consumption as post-paid
service, this section does not apply.
- Section 318: Frequency and Methods of Billings – This section describes the frequency
and methods of bill notices. Because there is no actual bill issued with prepaid service,
this section does not apply.
- Section 320: Minimum Billing Information – This section details the information that
is included on a residential bill. Because an actual bill is not provided as part of
prepaid service, this section does not apply.
- Section 321: Billing Terms – This section details the time-period a customer has to pay
a bill and subsequent penalties for not paying within the specified time-period.

1 Because an actual bill is not provided as part of prepaid service and because prepaid
2 service does not use a typical billing cycle, this section does not apply.

- 3 • Section 322: Evidence of Rendering Date – This section describes the methods in
4 which the date a bill rendered can be verified. Because an actual bill is not provided as
5 part of prepaid service, this section does not apply.
- 6 • Section 324: Delinquent Bills – This section explains the time-period in which
7 payments for delinquent bills will be subject to termination. Because prepaid service is
8 an advanced payment billing option, this section does not apply.
- 9 • Section 342: Levelized Billing Plan – This section states that Trico may offer a
10 Levelized billing option. Due to limits of Trico's billing software and metering
11 hardware, customers under the Levelized Billing Plan are not eligible for prepaid
12 service. Therefore, this section does not apply.
- 13 • Section 343: Levelized Billing Plan Requirements – This section describes how Trico
14 will develop an estimate of a customer's levelized billing for a 12 month period. Due
15 to limits of Trico's billing software and metering hardware, customers under the
16 Levelized Billing Plan are not eligible for prepaid service. Therefore, this section does
17 not apply.
- 18 • Section 344: Levelized Billing Plan Information to Customers – This section describes
19 that Trico will provide a customer an explanation of how levelized billing was
20 developed, the impact on the customer's monthly bill, and that Trico has the right to
21 adjust the billing as necessary. Due to limits of Trico's billing software and metering
22 hardware, customers under the Levelized Billing Plan are not eligible for prepaid service.
23 Therefore, this section does not apply.
- 24 • Section 345: Minimum Information on Monthly Levelized Bill – This section includes
25 the minimum information Trico will include on a customer's levelized bill. Due to
26 limits of Trico's billing software and metering hardware, customers under the
27 Levelized Billing Plan are not eligible for prepaid service. Therefore, this section does
28 not apply.
- Section 346: Adjustments to Levelized Bills – This section explains that adjustment
may be made to a customer's levelized billing based on actual usage. Due to limits of
Trico's billing software and metering hardware, customers under the Levelized Billing
Plan are not eligible for prepaid service. Therefore, this section does not apply.
- Section 347: Deferred Payment Plan – This section explains that Trico may offer
qualifying residential customers a deferred payment plan for unpaid bills. Because
customers enrolled in a deferred payment plan are not eligible for prepaid service, this
section does not apply.
- Section 348: Deferred Payment Plan Agreement Terms – This section details the terms
and conditions that must be met by a customer enrolled in a deferred payment plan in

order to receive continued service. Because customers enrolled in a deferred payment plan are not eligible for prepaid service, this section does not apply.

- Section 349: Determining Installment Payment Schedule – This section describes the criteria used to determine the installment payment schedule for a deferred payment plan. Because customers enrolled in a deferred payment plan are not eligible for prepaid service, this section does not apply.
- Section 350: Establishment of Agreement/Termination Dates – This section explains that a customer must enter into a deferred payment agreement prior to the termination of service. Failure of the customer to execute a deferred payment agreement shall not prevent Trico from discontinuing service for nonpayment. In addition, a late payment charge may be charged, as approved by the Commission. Because customers enrolled in a deferred payment plan are not eligible for prepaid service, this section does not apply.
- Section 351: Requirements of Deferred Payment Agreement – This section explains that if a customer should fail to fulfill the terms of a deferred payment plan, Trico reserves the right to discontinue service pursuant to the termination of service rules included in its Commission-approved Rules, Regulations, and Line Extension Policies. Because customers enrolled in a deferred payment plan are not eligible for prepaid service, this section does not apply.
- Section 358: Non-Permissible Reasons to Terminate Electric Service – This section details the circumstances under which Trico will not disconnect service. Due to the nature of prepaid service, and because customers specified in Part E of this Section are not eligible for prepaid service, this section does not apply.

Disconnection of Prepaid Service

During the pilot period, disconnection of service for zero remaining credit would be limited to normal workdays between the hours of 9:00 a.m. and 2:00 p.m. Disconnections due to zero remaining credit would be suspended during inclement weather conditions, as defined in the Rules, Regulations and Line Extension Policies, which also suspends postpaid disconnections for non-payment, or as determined by the Commission. A customer will be notified of a low credit balance based on the estimated number of days of service remaining. During the pilot period, if a customer's credit balance falls below an estimated four days of service (based on the average daily usage), notice will be sent to the customer (one per business day) via e-mail, phone message, or text message. Customers would be required to pay for any unpaid usage and make a minimum payment of \$20 when adding money to prepaid accounts that have been disconnected due to a zero or negative balance.

...

1 *Equipment*

2 9. Special equipment is required for members to participate in the Prepaid Program.
3 Trico has developed extensive automated meter infrastructure (“AMI”) and would install equipment
4 to its existing AMI for remote connect/disconnect service commands. The equipment would also
5 provide outage and service interruption notifications.

6 10. Currently, Trico utilizes National Information Systems Cooperative (“NISC”) for its
7 post-pay/standard billing implementation. NISC is an information technology company that develops
8 and supports software and hardware solutions primarily for utility cooperatives and
9 telecommunications companies across the nation. NISC offers utility end-users with a utility
10 information management service called SmartHub™.

11 11. In addition, NISC offers its Prepaid Metering Solution which provides a pro-rated
12 billing solution. Using the daily interval readings of AMI, the Prepaid Metering Solution provides a
13 daily, pro-rated billing option but does not require a separate prepaid meter card for loading payments.
14 This allows for payment options already available to customers. The NISC Prepaid Metering Solution
15 provides the end-user with daily meter usage information and account balance updates which allows
16 customers to determine when to pay their bill. The Prepaid Metering Solution provides data allowing
17 for notifications when a customer’s credit balance is low and for payment acceptance. Through
18 NISC’s Electronic Billing, Integrated Voice Response, and SmartHub™ Portal, customers can make
19 payments online or by phone and provide other communications. Meter reads and other information
20 would continue to be processed in Trico’s existing system.

21 *Costs and Cost Recovery*

22 12. Trico indicated that the costs associated with the proposed prepaid program would be
23 paid through its general funds during the pilot period. Trico might consider including future costs of
24 the Prepaid Program in its next rate case application. The table below shows the costs associated with
25 the development, deployment, and operation of Trico’s proposed Prepaid Program.

26 ...

27 ...

28 ...

Category	Cost	2 Year Pilot Cost-50 Customers
Metering Equipment for Remote Connect/Disconnect (one-time cost)	\$90.00/installation	\$4,500.00
Remote Connect/Disconnect Installation Labor (one-time cost)	\$50.00/installation	\$2,500.00
Cellular Data Delivery Costs (on-going cost)	\$0.85/month/customer	\$1,020.00
Prepaid Metering Billing Software (one-time cost)	\$12,500.00	\$12,500.00
Technical Support (maintenance cost per month)	\$375.00/month	\$9,000.00
Customer Service Training (periodic cost)	\$150.00/month	\$3,600.00
Program Administration (on-going cost)	\$400.00/month	\$9,600.00
Customer Education/Advertising (on-going cost)	\$200.00/month	\$4,800.00

13. Based on the cost information provided to Staff, if Trico enrolled fifty (50) customers in the proposed Prepaid Program during the two year pilot period, Trico estimates that the total costs would be approximately \$47,520 (\$28,020 of on-going costs and \$19,500 of one-time costs).

Fair Value Determination

14. Staff has reviewed Trico's application in terms of whether there are fair value implications. In Decision No. 71230, issued August 6, 2009, the Commission determined the fair value rate base to be \$140,628,110. According to Trico's Rural Utilities Service Financial and Operational Report filed with the Commission, as of December 31, 2014, the net value of Trico's plant was \$165,395,866. Staff considered both of these values for purposes of this analysis. Staff considered both of these values for purposes of this analysis. Because the proposed RPS Tariff merely provides a breakdown of the current Commission-approved Residential Service rates and surcharges, Staff believes that the impact to Trico's revenue, fair value rate base, or rate of return would be negligible.

Staff Review and Recommendations

15. Staff believes that Trico's proposed Prepaid Program would benefit its customers and recommends approval of Trico's proposed Prepaid Program and Experimental RPS Tariff. However, due to the nature of prepaid service, Staff believes that a waiver of the following Commission Rules

(Arizona Administrative Code ("A.A.C.)) is required. Therefore, Staff has recommended waivers of the following Commission Rules, as necessary:

- A.A.C. R14-2-203.B.-Deposits
- A.A.C. R14-2-209.A.-Company or customer meter reading
- A.A.C. R14-2-210-Billing and Collection
- A.A.C. R14-2-211-Termination of Service

16. In addition, Staff believes that those customers under appropriate circumstances but beyond the scope of A.A.C. R14-2-211.A.5 should not be eligible for the proposed RPS Tariff. These customers include, but are not limited to, those where termination of service would be especially dangerous to the health of the customer, as determined by a licensed medical physician; those customers where life supporting equipment used in the home is dependent on utility service; and those customers where weather would be especially dangerous to health. Therefore, Staff has recommended that participation by these customers should be excluded.

17. Further, Staff believes that Trico's Prepaid Service Application/Agreement include the information listed below. Therefore, Staff has recommended that Trico file, for Staff review, a revised Prepaid Service Application/Agreement that incorporates the following information:

- Circumstances under which disconnections would not occur (i.e. extreme weather conditions);
- The various ways prepaid customers can access their account and make payments;
- Clarification that the service establishment fees would be the same for both prepaid and postpaid customers;
- The \$20 minimum payment requirement to restore a credit balance on a prepaid account after disconnection due to a zero or negative balance;
- A statement regarding the possibility of bill estimation and where bill estimation procedures can be found (i.e. Bill Estimation Tariff); and
- The customer contact information that would be used to receive balance alerts.

18. Staff has reviewed the proposed experimental RPS Tariff and has recommended that Trico file, as a compliance item in this docket, within 15 days of a Decision in this matter, a revised RPS Tariff. Staff has recommended that the revised RPS Tariff:

- Include only the methodology for calculating the daily REST surcharge and not the actual daily REST surcharge in its RPS Tariff. Because the REST surcharge would change on a more frequent basis, Staff believes that the actual daily REST surcharge would be more appropriate in the REST tariff.

19. In addition, Staff has recommended that, as part of its next REST Implementation Plan filing, Trico include the daily REST surcharge applicable to prepaid service customers. Staff has further recommended that Trico file a revised Bill Estimation Tariff that includes the process/procedure for estimating prepaid accounts (based on a daily interval), for Commission approval, within 60 days of a Decision in this matter. Trico should review the Bill Estimation Tariffs that have been approved by the Commission for Mohave Electric Cooperative, Inc. and Sulphur Springs Valley Electric Cooperative, Inc. for examples.²

20. Staff has further recommended that Trico file in this docket, as compliance items, status reports beginning no later than six months after Trico enrolls its first customer on prepaid service and at six month intervals during the pilot period that contain, at a minimum, the information listed below. Staff believes that this would provide the Commission adequate information in order to review the progress of Trico's Prepaid Program.

- The number of prepaid metering customers per month;
- The number of prepaid service disconnects per account/meter per month;
- The number of prepaid metering customers that have been disconnected for 24 hours or more (in 24 hour increments) and the number of accounts with repeated disconnections per month;
- The number of customer complaints specific to prepaid metering including a description of the types of complaints received.

21. Staff has further recommended that Trico's proposed pilot Prepaid Program remain in effect until further Order of the Commission.

CONCLUSIONS OF LAW

1. Trico Electric Cooperative, Inc. is an Arizona public service corporation within the meaning of Article XV, Section 2, of the Arizona Constitution.

2. The Commission has jurisdiction over Trico Electric Cooperative, Inc. and the subject matter of the Application.

...

...

...

...

²Decision Nos. 73654 and 74381, respectively.

3. The Commission, having reviewed the application and Staff's Memorandum dated April 28, 2015, concludes that it is in the public interest to approve Trico Electric Cooperative, Inc.'s proposed prepaid pilot program as specified in this order.

ORDER

IT IS THEREFORE ORDERED that the Trico Electric Cooperative, Inc. Prepaid Service Pilot Program and Experimental Residential Prepaid Service Tariff be and hereby is approved, as discussed herein.

IT IS FURTHER ORDERED that a waiver of Arizona Administrative Code R14-2-203.B. (Deposits); A.A.C. R14-2-209.A. (Meter Reading); A.A.C. R14-2-210 (Billing and Collection); and A.A.C. R14-2-211 (Termination of Service) are hereby granted as necessary.

IT IS FURTHER ORDERED customers under appropriate circumstances but beyond the scope of A.A.C. R14-2-211.A.5 shall not be eligible for the Prepaid Service Pilot Program and Experimental Residential Prepaid Service Tariff. These customers include, but are not limited to, those where termination of service would be especially dangerous to the health of the customer, as determined by a licensed medical physician; those customers where life supporting equipment used in the home is dependent on utility service; and those customers where weather would be especially dangerous to health.

IT IS FURTHER ORDERED that Trico Electric Cooperative, Inc. shall file, for Staff review, a revised Prepaid Service Application/Agreement that incorporates the following information:

- Circumstances under which disconnections would not occur (i.e. extreme weather conditions);
- The various ways prepaid customers can access their account and make payments;
- Clarification that the service establishment fees would be the same for both prepaid and postpaid customers;
- The \$20 minimum payment requirement to restore a credit balance on a prepaid account after disconnection due to a zero or negative balance;
- A statement regarding the possibility of bill estimation and where bill estimation procedures can be found (i.e. Bill Estimation Tariff); and
- The customer contact information that would be used to receive balance alerts.

• • •

• • •

1 IT IS FURTHER ORDERED that Trico Electric Cooperative, Inc. shall file, as a compliance
2 item in this docket, within 15 days of a Decision in this matter, a revised Experimental Residential
3 Prepaid Service Tariff that includes only the methodology for calculating the daily REST surcharge
4 and not the actual daily REST surcharge in its Experimental Residential Prepaid Service Tariff.

5 IT IS FURTHER ORDERED that as part of its next REST Implementation Plan filing, Trico
6 Electric Cooperative, Inc. include the daily REST surcharge applicable to prepaid service customers.

7 IT IS FURTHER ORDERED that Trico Electric Cooperative, Inc. file a revised Bill
8 Estimation Tariff that includes the process/procedures for estimating prepaid accounts (based on a
9 daily interval), for Commission approval, within 60 days of a Decision in this matter.

10 IT IS FURTHER ORDERED that Trico Electric Cooperative, Inc. shall file in this docket, as
11 compliance items, status reports beginning no later than six months after Trico Electric Cooperative,
12 Inc. enrolls its first customer on prepaid service and at six month intervals during the pilot period that
13 contain, at a minimum, the information listed below.

- 14 • The number of prepaid metering customers per month;
- 15 • The number of prepaid service disconnects per account/meter per month;
- 16 • The number of prepaid metering customers that have been disconnected for 24 hours
17 or more (in 24 hour increments) and the number of accounts with repeated
18 disconnections per month;
- 19 • The number of customer complaints specific to prepaid metering including a
20 description of the types of complaints received.

21 ...

22 ...

23 ...

24 ...

25 ...

26 ...

27 ...

28 ...

1 IT IS FURTHER ORDERED that Trico Electric Cooperative, Inc.'s Prepaid Service Pilot
2 Program and Experimental Residential Prepaid Service Tariff remain in effect until further Order of
3 the Commission.

4 IT IS FURTHER ORDERED that this Decision shall become effective immediately.

6 **BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION**

8 
CHAIRMAN

8 
COMMISSIONER

11 
COMMISSIONER

11 
COMMISSIONER

11 
COMMISSIONER

13 IN WITNESS WHEREOF, I, JODI JERICH, Executive
14 Director of the Arizona Corporation Commission, have
15 hereunto, set my hand and caused the official seal of this
16 Commission to be affixed at the Capitol, in the City of
17 Phoenix, this 19th day of May, 2015.

18 
JODI JERICH
19 EXECUTIVE DIRECTOR

20 DISSENT: _____

21
22 DISSENT: _____

23 SMO:CLA:red/BES
24
25
26
27
28

1 SERVICE LIST FOR: Trico Electric Cooperative, Inc.
2 DOCKET NO. E-01461A-14-0260

3 Michael W. Patten
4 Snell & Wilmer LLP
5 400 East Van Buren Street, Suite 1900
6 Phoenix, Arizona 85004

7 Steven M. Olea
8 Director, Utilities Division
9 Arizona Corporation Commission
10 1200 West Washington Street
11 Phoenix, Arizona 85007

12 Janice M. Alward
13 Chief Counsel, Legal Division
14 Arizona Corporation Commission
15 1200 West Washington Street
16 Phoenix, Arizona 85007

17 Lyn Farmer
18 Chief Administrative Law Judge,
19 Hearings Division
20 Arizona Corporation Commission
21 1200 West Washington Street
22 Phoenix, AZ 85007